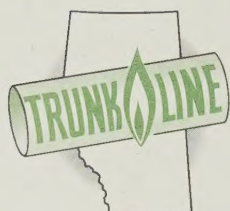


*Annual
Report
1967*

THE ALBERTA GAS TRUNK LINE COMPANY LIMITED

THE ALBERTA GAS TRUNK LINE COMPANY LIMITED



Head Office

505 Second Street S.W., Calgary, Alberta

Postal Address

P.O. Box 2535, Calgary, Alberta

Transfer Agents and Registrars

CLASS "A" COMMON SHARES

National Trust Company Limited —
Montreal, Toronto, Winnipeg, Calgary,
Edmonton and Vancouver

PREFERRED SHARES SERIES C

Crown Trust Company —
Montreal, Toronto, Winnipeg, Calgary
and Vancouver

Stock Exchange Listings

CLASS "A" COMMON SHARES

Calgary Stock Exchange
Toronto Stock Exchange

PREFERRED SHARES SERIES C

Calgary Stock Exchange
Toronto Stock Exchange

Auditors

Clarkson, Gordon & Co.

Solicitors

Howard, Moore, Dixon, Mackie & Forsyth

THE ALBERTA GAS TRUNK LINE COMPANY LIMITED

Incorporated by Special Act under the Laws of Alberta

BOARD OF DIRECTORS

- JOHN C. MAYNE, Calgary
Chairman, Board of Directors
Calgary Brewing and Malting Company Limited
- D. CARLTON JONES, Calgary
Executive Vice-President
Hudson's Bay Oil and Gas Company Limited
- ALBERT T. BAKER, Calgary
General Manager
Alberta Wheat Pool
- S. ROBERT BLAIR, Calgary
President and General Manager
Alberta and Southern Gas Co. Ltd.
- W. DONALD C. MACKENZIE, Calgary
Western Regional Manager
Producing Department
Imperial Oil Limited
- JOHN E. MAYBIN, Calgary
Executive Vice President
Canadian Western Natural Gas Company Limited
and Northwestern Utilities, Limited
- DAVID E. MITCHELL, Calgary
President
Great Plains Development Company of Canada, Ltd.

OFFICERS

- JOHN C. MAYNE, *Chairman of the Board*
- ✓ JAMES C. MAHAFFY, Q.C., *President and*
Chief Executive Officer
- D. CARLTON JONES, *Vice-President*
- ALBERT T. BAKER, *Vice-President*
- JOHN M. BALLACHEY, *Vice-President, Administration*
and Secretary
- GORDON W. WALKER, *Vice-President, Operations*
- D. HOWARD HUSHION, *Manager of Engineering*
and Construction
- WALTER J. HOPSON, *Treasurer and Comptroller*
- DONALD A. McLEOD, *Assistant Secretary and*
Personnel Manager

THE ALBERTA GAS TRUNK LINE COMPANY LIMITED

TEN YEAR REVIEW COMPARATIVE HIGHLIGHTS

	1967	1966	1965
Operating Revenue	\$ 26,309,000	\$ 24,976,000	\$ 25,511,000
Operating Expenses, Depreciation and Taxes	\$ 12,037,000	\$ 10,823,000	\$ 12,354,000
Interest and Other Expenses — Net	\$ 7,692,000	\$ 7,815,000	\$ 7,106,000
Net Income	\$ 6,580,000	\$ 6,338,000	\$ 6,051,000
Dividends on Preferred Shares	\$ 1,306,000	\$ 1,306,000	\$ 1,397,000
Net Income After Dividends on Preferred Shares	\$ 5,274,000	\$ 5,032,000	\$ 4,654,000
Common Shares Outstanding	2,800,426	2,799,090	2,777,975
Earnings Per Common Share	\$ 1.88	\$ 1.80	\$ 1.67
Dividends Paid Per Common Share	\$ 1.23	\$ 1.20	\$ 1.15
Investment in Plant — Cost	\$231,155,000	\$223,833,000	\$216,319,000
Investment in Plant — Net	\$197,030,000	\$191,443,000	\$189,351,000
Number of Employees	301	290	278
Miles of Pipeline in Service			
Plains Division	1,434	1,377	1,331
Foothills Division	619	585	573
Northern Division	41	41	41
Total Miles of Pipeline in Service	<u>2,094</u>	<u>2,003</u>	<u>1,945</u>
Compression BHP			
Plains Division	35,970	30,495	24,495
Foothills Division	17,200	9,500	—
Northern Division	—	—	—
Total Compression	<u>53,170</u>	<u>39,995</u>	<u>24,495</u>
Annual Throughput (MMcf)			
Plains Division	437,987	421,157	403,926
Foothills Division	282,907	237,107	219,643
Northern Division	17,916	17,397	13,307
North Sibbald Division	2,095	2,519	—
Total Annual Throughput	<u>740,905</u>	<u>678,180</u>	<u>636,876</u>
Maximum Day Throughput (MMcf)			
All Divisions	2,757	2,242	2,058
Plains Division	1,691	1,398	1,307
Foothills Division	994	792	728
Northern Division	69	72	60
North Sibbald Division	12	10	—

1964	1963	1962	1961	1960	1959	1958
\$ 23,417,000	\$ 22,467,000	\$ 21,015,000	\$ 8,972,000	\$ 5,937,000	\$ 3,275,000	\$ 987,000
\$ 11,440,000	\$ 11,077,000	\$ 9,800,000	\$ 2,684,000	\$ 1,164,000	\$ 843,000	\$ 493,000
\$ 6,404,000	\$ 6,187,000	\$ 6,157,000	\$ 1,523,000	\$ 1,942,000	\$ 1,299,000	\$ 94,000
\$ 5,573,000	\$ 5,203,000	\$ 5,058,000	\$ 4,765,000	\$ 2,831,000	\$ 1,133,000	\$ 400,000
\$ 1,512,000	\$ 1,513,000	\$ 1,513,000	\$ 1,314,000	\$ 463,000	—	—
\$ 4,061,000	\$ 3,690,000	\$ 3,545,000	\$ 3,451,000	\$ 2,368,000	\$ 1,133,000	\$ 400,000
2,715,356	2,714,679	2,708,231	2,704,134	2,701,422	2,700,922	2,700,922
\$ 1.50	\$ 1.36	\$ 1.31	\$ 1.28	\$ 0.88	\$ 0.42	\$ 0.15
\$ 1.00	\$ 1.00	\$ 0.25	—	—	—	—
\$192,896,000	\$167,018,000	\$158,731,000	\$150,571,000	\$ 84,333,000	\$ 55,118,000	\$ 35,176,000
\$173,207,000	\$154,115,000	\$152,143,000	\$149,871,000	\$ 84,333,000	\$ 55,118,000	\$ 35,176,000
290	294	267	256	177	143	100
1,151	946	878	860	828	613	354
573	573	573	573	—	—	—
41	41	41	2	—	—	—
<u>1,765</u>	<u>1,560</u>	<u>1,492</u>	<u>1,435</u>	<u>828</u>	<u>613</u>	<u>354</u>
24,495	22,465	10,200	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>24,495</u>	<u>22,465</u>	<u>10,200</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
354,811	293,385	253,256	225,407	135,578	79,221	24,686
208,078	186,296	169,850	9,595	—	—	—
15,884	16,847	7,225	420	—	—	—
—	—	—	—	—	—	—
<u>578,773</u>	<u>496,528</u>	<u>430,331</u>	<u>235,422</u>	<u>135,578</u>	<u>79,221</u>	<u>24,686</u>
1,993	1,749	1,451	1,154	642	406	262
1,269	1,041	899	812	642	406	262
688	646	604	410	—	—	—
65	68	64	35	—	—	—
—	—	—	—	—	—	—

REPORT TO THE SHAREHOLDERS

The Directors are pleased to present herewith the Annual Report of the Company for the year ended December 31, 1967.

TEN YEARS OF ACCOMPLISHMENT

December 31, 1967 marked the end of the first ten complete years of the Company's participation in the gas transportation business, for although its first pipeline installations went into service in the fall of 1957, it was not until the following year that a full twelve months of operation could be recorded. The completion of this ten years of accomplishment has made possible, for the first time, a Comparative Highlights section of this report which spans a decade. A serious study of this statement is recommended to all Company shareholders.

By the end of 1958 the Company had constructed and was operating 354 miles of pipeline at a cost of approximately \$35,000,000 and during that year transported 24.686 billion cubic feet of gas. Its earnings per common share were 15 cents.

Every year since 1958 has seen a substantial, sometimes a dramatic, increase in the Company's plant investment and gas throughput. By the end of 1967 it had completed construction of 2,094 miles of pipeline at a cost of approximately \$231,000,000 and in 1967 it transported 740.905 billion cubic feet of gas. It had completed the installation of compressor equipment producing 53,170 Brake Horse Power. Its earnings per common share rose to \$1.88. The maximum day throughput of gas had increased to 2.757 billion cubic feet. The Company maintained its record as the largest transporter of gas in Canada. Its operating revenue increased from \$987,000 in 1958 to \$26,309,000 in 1967 and its net income increased from \$400,000 in 1958 to \$6,580,000 in 1967.

During this ten year period the Company has developed a valuable asset which does not appear in the financial statements; namely, a staff of 300 people who now have the education, experience and desire to manage and operate a pipeline of this extent and capacity in a safe and efficient manner. This asset will prove most valuable to the Company as it faces the undoubted vast expansion of the next ten years.

A glance at the Company system map which appears in this report, makes it very apparent that most of its present installations are located in the southern half of the Province of Alberta. It is known that the northern half of this gas rich province is only partially explored and, therefore, it can be expected that during the next ten years the Company pipeline facilities in that northern area will rival in size those now located in the south. Moreover, the capacities of southern main lines will have to be greatly expanded to handle large flows of gas from the north.

Your Directors feel very proud of the first ten years of operation and look forward with anticipation to the expected developments of the next decade.

FINANCIAL

The transportation contracts with Trans-Canada Pipe Lines Limited, Alberta and Southern Gas Co. Ltd., Westcoast Transmission Company Limited and Westcoast Transmission Company (Alberta) Ltd., provide that the Company receives payment from these shippers on a "cost of service" basis which includes the Company's operating expenses, income and other taxes and depreciation of its pipeline and other plant facilities, together with an annual return of 7½% on a rate base, which is composed of the depreciated investment in plant and an allowance for working capital. In addition, small volumes of gas are transported for other customers on a tariff basis. Financing costs, interest on debt and dividends on preferred and common shares are payable from the Company's earnings.

Under the provisions of the transportation contracts the gross operating revenues were as follows:

Plains Division	\$16,405,000
Foothills Division	9,584,000
Northern Division	317,000
Other	3,000
	<hr/>
	\$26,309,000
	<hr/>

The operating profit or return of \$14,272,000 was earned on an average rate base of \$190,293,000.

Net income from all sources was \$6,580,000 after deducting interest and other costs related to long term debt. After payment of \$1,306,000 in preferred share dividends there remained a balance of \$5,274,000 equivalent to \$1.88 per common share, an increase of 8 cents over the year 1966.

Commencing with an initial dividend of 25 cents per common share on November 15, 1962, a dividend of 25 cents per common share was paid in each quarter of 1963 and 1964 and in the first quarter of 1965. The quarterly dividend was increased to 30 cents per share on May 15, 1965 and was further increased to 33 cents per share on November 15, 1967. Common share dividends paid during the year 1967 were \$1.23 per share.

No public financing was undertaken during 1967. The 1967 construction program was carried out using funds generated by the business and by way of short term bank loans which at the year end were \$7,800,000. In order to repay this bank indebtedness and to provide for the 1968 construction program, it is anticipated that long term financing arrangements will be made in the latter part of 1968. Until this financing has been obtained, arrangements have been made for coverage of immediate requirements by additional short term bank loans.

As mentioned above, the Company earns 7½% on its rate base and out of these earnings pays financing costs, interest on debt and dividends on preferred and common shares. The 7½% rate of return is provided for in transportation contracts between the Company and its principal customers. In the case of most of the facilities forming the existing rate base, and in respect of future additions to the rate base, there is provision in the contracts enabling the Board of Directors of the Company to act to obtain an increase in the rate of return. In respect of all of the rate base, the rate of return is subject to the provisions of Section 30 of The Alberta Gas Trunk Line Company Act whereby the Company or any interested party may apply to the Public Utilities Board of the Province of Alberta to vary the rate of return. In view of the high interest rates now being paid by the Company on short term bank loans and the present indication that even higher interest costs will be payable when a long term financing is arranged, the Company is taking steps in an endeavor to achieve a revision of the rate of return.

1,336 Class "A" common shares, with no voting rights attached, were issued during the year for \$36,000 cash on the exercise of share purchase warrants and a stock option. As at December 31, 1967 there remained 512,445 Class "A" common shares reserved for the exercise of Class "A" common share purchase warrants and 18,900 Class "A" common shares reserved under an Incentive Stock Option Plan. No options were outstanding at the year end. At the end of 1967 there were 2,798,655 Class "A" common shares issued and outstanding.

CONSTRUCTION

In the year 1967, pipeline facilities costing \$11,309,000 were added to the Company's system bringing the total plant investment to \$231,155,000. The 1967 Plains Division construction program included 78 miles of 4", 6", 12" and 16" lateral lines to the Garrington, Equity, Alderson, Vulcan and Ghost Pine fields, together with associated measurement facilities and the installation of one additional 6,000 horse power engine driven reciprocating compressor at the Princess Compressor Station.

During the year, 77 miles of 16" pipeline in the Carstairs and Nevis laterals, used for the transportation of gas for Trans-Canada Pipe Lines Limited, was retired from transmission service and replaced by alternate pipelines due to the fact that the original pipe was found to be defective.

The Company has commenced an action in the Supreme Court of Alberta against the manufacturer of the pipe involved, in an effort to recover the expenditures made by Trunk Line in having to replace these facilities. In the meantime, the retirement of these facilities and the miscellaneous charges related thereto have been included in the cost of service rates. The customer concerned, however, has disputed this allocation and at December 31, 1967 the amount under dispute is \$191,000 of the amount billed in the months of November and December, 1967.

The major additions to the Foothills Division included 34 miles of 3", 8" and 10" lateral lines to the Caroline, Wilson Creek and Carson Creek fields, and the installation of one additional 9,500 horse power gas turbine driven centrifugal compressor at the Turner Valley Compressor Station.

The Company commenced an automation program in 1965, at an estimated total cost of \$2,000,000 to provide remote supervisory control equipment operating from Calgary to control the Company's major measurement and compression facilities. This computer-controlled system will be completed in 1968 and will provide one of the most modern and efficient systems available for controlling a major pipeline.

Construction of the Calgary Service Centre was commenced in the summer of 1966 and these facilities were occupied in the spring of 1967. These quarters now house the dispatch centre, measurement laboratory and instrument repair facilities, central stores warehouse and local operating district headquarters.

THROUGHPUT

The maximum day throughput for all divisions was reached on December 22, 1967, when 2.76 billion cubic feet were transported. The 1966 maximum day throughput for all divisions was 2.24 billion cubic feet per day, transported on December 21, 1966. The total throughput for the year 1967 was 740.91 billion cubic feet, or an average of 2.03 billion cubic feet per day compared to 678.18 billion cubic feet in 1966 or an average of 1.86 billion cubic feet per day, an increase in annual throughput of 9.25%.

FUTURE GROWTH

It is anticipated that the Plains Division of the Company's system will be expanded during 1968 to provide for the increased needs of Trans-Canada Pipe Lines Limited. Present plans include the addition of approximately 35 miles of second loop 36" pipeline upstream of the Empress Gate Border Station and laterals and measuring facilities required to move gas from two fields in southwestern Alberta. Arrangements are proceeding toward the completion of the installation of gas turbine driven centrifugal compressors at the Hussar "B" and Torrington Compressor Stations.

Expansion of the Foothills Division during 1968 will include the construction of two new 20-mile laterals at the beginning of the year to connect the Judy Creek and Bigstone gas fields to the northern ends of the division. These laterals will complete the division expansion required by Alberta and Southern Gas Co. Ltd. for the 1966-1967 program of export sales increase.

Alberta and Southern's 1968-1969 program of further sales increase received, during 1967, the provincial authorization of Alberta upon the recommendation of the Oil and Gas Conservation Board and the federal authorization of the National Energy Board. This program still requires authorization by the Federal Power Commission of the importation of the increases by Alberta and Southern's customers in the United States. The first step of increase in the program is scheduled to commence operation on November 1, 1968 and the second step on November 1, 1969. The United States import application hearings commenced before Federal Power Commission Examiners during the later months of 1967.

As mentioned in our last Annual Report, Alberta and Southern's 1968-1969 program when fully authorized would require substantial additions to the plant of the Foothills Division. Preliminary estimates have indicated that the over-all capital expenditure by our Company for the program would be in the order of \$30,000,000. The new facilities would comprise additional pipeline extending the Foothills Division northward and addition of capacity to the existing division main line to be obtained by the installation of several new compressor stations. The commencement of construction must await the obtaining of all authorizations and the final design continues to be dependent to some extent upon gas reserve developments during 1968 in certain of Alberta and Southern's contracted gas supply source fields and areas.

Growth prospects at the present time indicate the expansion of the Company's system during the years 1968, 1969 and 1970 in the order of \$100,000,000. One of our customers has recently announced the purchase of gas in the North Zama Lake region of northern Alberta, and assuming that the customer and its suppliers obtain the necessary approvals from government regulatory boards, this will probably require the construction of pipeline facilities into that area in 1971, resulting in a further substantial increase in the Company's investment in plant.

SHAREHOLDERS

At the end of the year under review, the Company had 24,729 shareholders who owned 2,798,655 Class "A" common shares. Of these, 24,082 or 97% were resident in Canada and held 2,714,422 shares, being 97% of the total.

1,771 Class "B" voting shares were outstanding; no change from the previous year. These shares were owned by 104 shareholders.

275,000 Preferred shares were outstanding at the year end and were owned by 3,172 shareholders. Of these, 3,158 were Canadian residents holding 274,203 shares, being 99% of that total.

ORGANIZATION

At the annual meeting of Class "B" common shareholders held on April 18, 1967, the following were elected Directors for the ensuing year: Mr. J. E. Maybin, representing utility companies; Mr. S. R. Blair, representing gas export companies; and Messrs. D. C. Jones, D. E. Mitchell and W. D. C. Mackenzie, representing producers and processors. Mr. A. T. Baker and Mr. J. C. Mayne continued as Directors appointed by the Lieutenant Governor in Council of the Province of Alberta.

Mr. J. C. Mayne was re-elected Chairman of the Board and Mr. D. C. Jones and Mr. A. T. Baker were re-elected Vice-Presidents.

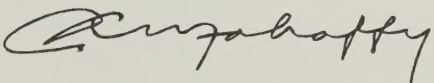
On July 31, 1967 Mr. E. V. Hunt, Vice-President, Operations, retired. The Board wishes to express its appreciation for the valuable service rendered by Mr. Hunt, who was one of the Company's early employees.

Mr. G. W. Walker was appointed Vice-President, Operations, to replace Mr. Hunt and Mr. D. H. Hushion was appointed Manager of Engineering and Construction.

GENERAL

In addition to the audited financial statements for the year 1967, condensed financial statements for the last ten years of the Company's operations are included in this report, and it is hoped that these, together with the comparative highlights for the last ten years, will provide the shareholders with useful and interesting information.

The Directors wish to take this opportunity to thank the employees of the Company for their efficient and loyal services during the past year. The excellent cooperation of the Company's shippers and of the producers of the various fields connected, is greatly appreciated.



President and Chief Executive Officer



Chairman of the Board

Calgary, Alberta,
March 1, 1968.

THE ALBERTA GAS TRUNK LINE COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEARS ENDED DECEMBER 31, 1967 AND 1966

	1967	1966
Source of funds:		
Funds provided from internal sources		
Net income for the year	\$ 6,580,000	\$ 6,338,000
Charges against income not requiring an outlay of cash		
Depreciation	5,722,000	5,611,000
Amortization of debt discount and expense	161,000	161,000
	<u>12,463,000</u>	<u>12,110,000</u>
 New money provided		
Common shares	36,000	552,000
Bank loans	7,800,000	
 Decrease in working capital (excluding bank loans)	933,000	4,534,000
	<u>\$21,232,000</u>	<u>\$17,196,000</u>
 Application of funds:		
Capital expenditures on plant, property and equipment	\$11,309,000	\$ 7,703,000
Retirement of long term debt	5,089,000	4,829,000
	<u>16,398,000</u>	<u>12,532,000</u>
 Dividends —		
Preferred shares	1,306,000	1,306,000
Common shares	3,528,000	3,358,000
	<u>4,834,000</u>	<u>4,664,000</u>
	<u>\$21,232,000</u>	<u>\$17,196,000</u>

See accompanying notes

STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1967 AND 1966

	1967	1966
Operating revenue:		
Transportation of gas (Note 1)	\$26,309,000	\$24,976,000
Operating revenue deductions:		
Operating and maintenance expenses	4,580,000	3,823,000
Depreciation (Note 1)	5,722,000	5,611,000
Taxes — property	1,735,000	1,389,000
	<u>12,037,000</u>	<u>10,823,000</u>
Operating profit	14,272,000	14,153,000
Other income:		
Interest on short term deposits	121,000	289,000
Gain on redemption of long term debt	107,000	6,000
	<u>14,500,000</u>	<u>14,448,000</u>
Income deductions:		
Interest on long term debt	7,832,000	8,078,000
Other interest	168,000	
Amortization of debt discount and expense	161,000	161,000
Interest charged to construction (credit)	(241,000)	(129,000)
	<u>7,920,000</u>	<u>8,110,000</u>
Net income for the year (Notes 1 and 5)	<u>\$ 6,580,000</u>	<u>\$ 6,338,000</u>

STATEMENT OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 1967 AND 1966

	1967	1966
Balance at beginning of year	\$12,591,000	\$10,917,000
Add net income for the year	6,580,000	6,338,000
	<u>19,171,000</u>	<u>17,255,000</u>
Less dividends paid or payable —		
Preferred shares	1,306,000	1,306,000
Common shares	3,528,000	3,358,000
	<u>4,834,000</u>	<u>4,664,000</u>
Balance at end of year	<u>\$14,337,000</u>	<u>\$12,591,000</u>

THE ALBERTA GAS TRUNK LINE COMPANY LIMITED

BALANCE SHEET DECEMBER 31, 1967

ASSETS

PLANT, PROPERTY AND EQUIPMENT — AT COST (Note 1):

	1967	1966
Gas plant in service (land, buildings, gas transmission system, equipment, motor vehicles, etc.)	\$230,459,000	\$218,560,000
Less accumulated depreciation	34,125,000	32,390,000
	<u>196,334,000</u>	<u>186,170,000</u>
Gas plant under construction	696,000	5,273,000
	<u>197,030,000</u>	<u>191,443,000</u>

CURRENT ASSETS:

Cash	140,000	164,000
Short term deposits at cost plus accrued interest	2,364,000	3,808,000
Accounts receivable	3,018,000	2,072,000
Materials and supplies at cost	678,000	953,000
Prepaid expenses	122,000	72,000
	<u>6,322,000</u>	<u>7,069,000</u>

OTHER:

Special refundable tax	326,000	
Unamortized debt discount and expense	2,297,000	2,458,000
Capital stock issue expense (no amounts amortized)	815,000	815,000
Organization expense	32,000	32,000
	<u>3,470,000</u>	<u>3,305,000</u>

On behalf of the Board:

D. Jones
Director.

G. T. Baker
Director.

\$206,822,000 \$201,817,000

See accompanying notes

ER 31, 1967 AND 1966

LIABILITIES

	1967	1966
SHAREHOLDERS' EQUITY:		
Capital (Notes 2 and 3):		
Authorized —		
1,000,000 Preferred Shares of the par value of \$100 each with no voting rights attached.		
8,000,000 Class "A" common shares of the par value of \$5 each with no voting rights attached.		
2,002 Class "B" common shares of the par value of \$5 each with voting rights attached.		
Issued for cash and fully paid —		
275,000 4¾% Cumulative Redeemable Preferred Shares Series C	\$ 27,500,000	\$ 27,500,000
2,798,655 Class "A" common shares	13,993,000	13,986,000
1966 — 2,797,319 shares		
1,771 Class "B" common shares	9,000	9,000
	<hr/>	<hr/>
	41,502,000	41,495,000
Contributed surplus (Note 3)	2,081,000	2,052,000
Retained earnings — per statement	14,337,000	12,591,000
	<hr/>	<hr/>
	57,920,000	56,138,000
	<hr/>	<hr/>
LONG TERM DEBT (Note 4)	130,884,000	135,973,000
	<hr/>	<hr/>
SPECIAL REFUNDABLE TAX PAYABLE TO SHIPPERS (Note 5)	326,000	
	<hr/>	
CURRENT LIABILITIES:		
Bank loans	7,800,000	
Accounts payable	2,042,000	2,403,000
Dividends payable February 15	1,250,000	1,167,000
Interest accrued on long term debt	1,511,000	1,545,000
Sinking fund instalments due within one year	5,089,000	4,591,000
	<hr/>	<hr/>
	17,692,000	9,706,000
	<hr/>	<hr/>
COMMITMENTS (Note 6)	\$206,822,000	\$201,817,000
	<hr/>	<hr/>

THE ALBERTA GAS TRUNK LINE COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1967

Note 1. Property, Plant and Equipment

Gas plant in service consists of facilities for the transportation of gas owned by Trans-Canada Pipe Lines Limited, Alberta and Southern Gas Co. Ltd., Westcoast Transmission Company Limited, Westcoast Transmission Company (Alberta) Ltd. and others.

The transportation contracts with the above-named owners provide that the Company will be reimbursed on a "cost of service" basis for its operating expenses, income and other taxes (see Note 5) and depreciation of its facilities together with an annual return on its investment. Depreciation of gas plant in service has been provided in an amount equal to depreciation reimbursed on a "cost of service" basis.

During the year certain of the Company's pipeline facilities used for the transportation of gas for Trans-Canada Pipe Lines Limited were retired and replaced with new facilities. The original cost of the retired facilities, \$3,730,000, was charged to accumulated depreciation of plant, property and equipment.

Trans-Canada disputes the right of the Company to include the depreciated value of the retired facilities, \$2,900,000, in its rate base, to claim cost of service on that amount or to recover miscellaneous charges related thereto of approximately \$150,000 included in the accounts at December 31, 1967.

Note 2. Preferred Shares

The Cumulative Redeemable Preferred Shares Series C are redeemable at \$105 per share to May 15, 1970 and thereafter at reducing amounts.

Under the conditions attaching to the Series C Preferred Shares the Company is obliged under certain circumstances to set aside on January 2 in each year commencing in 1968, in a special account on the books of the Company as a purchase fund, an amount equal to 3% of the aggregate par value of such shares originally issued.

Note 3. Common Shares

1,336 Class "A" common shares were issued during the year for \$36,000 cash on the exercise of share purchase warrants and a stock option. Of the total consideration received \$7,000 was credited to share capital and \$29,000 to contributed surplus.

531,345 Class "A" common shares were reserved at December 31, 1967 as follows:

512,445 shares for the exercise of Class "A" common share purchase warrants originally attached to the 6¼% Cumulative Redeemable Preferred Shares Series A and 6½% Secured Sinking Fund Debentures, Series A, exercisable at \$30 per share on or before May 15, 1969.

18,900 shares under an Incentive Stock Option Plan; no options are outstanding.

Note 4. Long Term Debt

Details of the Company's long term debt are as follows:

	Maturity	1967	1966
5¼% First Mortgage Sinking Fund Bonds, Series A . . .	1981	\$ 23,952,000	\$ 25,093,000
5¾% First Mortgage Sinking Fund Bonds, Series B . . .	1981	55,479,000	58,025,000
5½% First Mortgage Sinking Fund Bonds, Series C . . .	1985	17,935,000	18,500,000
6½% Secured Sinking Fund Debentures, Series A . . .	1981	13,946,000	13,946,000
5¾% Secured Sinking Fund Debentures, Series B . . .	1985	24,661,000	25,000,000
		<u>135,973,000</u>	<u>140,564,000</u>
Less balance of sinking fund instalments due within one year shown as current liability		5,089,000	4,591,000
		<u>\$130,884,000</u>	<u>\$135,973,000</u>

The 5¾% First Mortgage Sinking Fund Bonds, Series B are payable in United States funds. The Company will receive as part of the "cost of service" charges under its transportation contract with Alberta and Southern Gas Co. Ltd. and Westcoast Transmission Company Limited (see Note 1) sufficient United

States dollars to discharge its future principal and interest payments in connection with the Series B bonds. Accordingly, the principal amount of the bonds has been, and future revenue receipts and principal and interest payments in United States dollars will be, converted to Canadian dollars on the basis that one United States dollar is equal to one Canadian dollar.

Sinking fund requirements in respect of long term debt are \$5,089,000 in 1968, \$5,360,000 in 1969, \$5,647,000 in 1970, \$5,950,000 in 1971 and \$6,270,000 in 1972.

Note 5. Income Taxes

Income and special refundable taxes are not recognized in the accounts until paid since they are fully reimbursable under the terms of the Company's transportation contracts (see Note 1). Chiefly as a result of claiming capital cost allowances in excess of depreciation recorded in the accounts, no income taxes have been paid to December 31, 1967, and no significant liability exists at that date; the deferral of income taxes to subsequent periods has no effect on the Company's earnings.

\$326,000 of special refundable tax has been paid and approximately \$65,000 will be paid in 1968. Because any refundable taxes paid are financed by the shippers under the terms of the transportation contracts, amounts refunded by the Government will be paid to the respective shippers.

Note 6. Commitments

The cost of completing additional facilities during 1968 is estimated at \$25,000,000.

Note 7. Statutory Information

Salaries and fees paid to directors and senior officers during the year amounted to \$152,000.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
THE ALBERTA GAS TRUNK LINE COMPANY LIMITED

We have examined the balance sheet of The Alberta Gas Trunk Line Company Limited as at December 31, 1967 and the statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta.
February 14, 1968.

Clarkson, Gordon & Co.
Chartered Accountants.

THE ALBERTA GAS TRUNK LINE COMPANY LIMITED

TEN YEAR REVIEW

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEARS ENDED DECEMBER 31

(in thousands of dollars)

	1967	1966	1965
Source of funds:			
Funds provided from internal sources			
Net income for the year	\$ 6,580	\$ 6,338	\$ 6,051
Charges against income not requiring an outlay of cash			
Depreciation	5,722	5,611	7,377
Amortization of debt discount and expense	161	161	153
	<u>12,463</u>	<u>12,110</u>	<u>13,581</u>
New money provided			
Preferred shares	—	—	27,500
Common shares	36	552	1,691
First mortgage bonds	—	—	18,500
Secured debentures	—	—	25,000
Increase (decrease) in bank loans	7,800	—	(22,700)
	<u>7,836</u>	<u>552</u>	<u>49,991</u>
	<u>\$20,299</u>	<u>\$12,662</u>	<u>\$63,572</u>
Application of funds:			
Capital expenditures on plant, property and equipment	\$11,309	\$ 7,703	\$23,521
Retirement of long term debt	5,089	4,829	3,726
Cost of issuing securities	—	—	1,433
Redemption of preferred shares	—	—	26,500
	<u>16,398</u>	<u>12,532</u>	<u>55,180</u>
Dividends—			
Preferred shares	1,306	1,306	1,397
Common shares	3,528	3,358	3,290
	<u>4,834</u>	<u>4,664</u>	<u>4,687</u>
Increase (decrease) in working capital (excluding bank loans)	(933)	(4,534)	3,705
	<u>\$20,299</u>	<u>\$12,662</u>	<u>\$63,572</u>

1964	1963	1962	1961	1960	1959	1958
\$ 5,573	\$ 5,203	\$ 5,058	\$ 4,765	\$ 2,831	\$ 1,133	\$ 400
6,753	6,407	5,948	704	—	—	—
125	125	125	110	69	49	21
<u>12,451</u>	<u>11,735</u>	<u>11,131</u>	<u>5,579</u>	<u>2,900</u>	<u>1,182</u>	<u>421</u>
—	—	—	10,000	15,000	—	—
18	142	79	52	9	—	—
—	—	—	67,000	—	—	30,000
—	—	—	—	15,000	—	—
20,000	2,700	—	(2,000)	(11,325)	13,325	—
<u>20,018</u>	<u>2,842</u>	<u>79</u>	<u>75,052</u>	<u>18,684</u>	<u>13,325</u>	<u>30,000</u>
<u>\$32,469</u>	<u>\$14,577</u>	<u>\$11,210</u>	<u>\$80,631</u>	<u>\$21,584</u>	<u>\$14,507</u>	<u>\$30,421</u>
\$25,845	\$ 8,379	\$ 8,220	\$66,242	\$29,215	\$19,942	\$23,903
3,538	3,360	3,190	884	—	—	—
11	(5)	4	1,248	1,262	8	1,137
—	—	—	—	—	—	—
<u>29,394</u>	<u>11,734</u>	<u>11,414</u>	<u>68,374</u>	<u>30,477</u>	<u>19,950</u>	<u>25,040</u>
1,512	1,513	1,891	1,314	463	—	—
2,715	2,712	1,354	—	—	—	—
<u>4,227</u>	<u>4,225</u>	<u>3,245</u>	<u>1,314</u>	<u>463</u>	<u>—</u>	<u>—</u>
<u>(1,152)</u>	<u>(1,382)</u>	<u>(3,449)</u>	<u>10,943</u>	<u>(9,356)</u>	<u>(5,443)</u>	<u>5,381</u>
<u>\$32,469</u>	<u>\$14,577</u>	<u>\$11,210</u>	<u>\$80,631</u>	<u>\$21,584</u>	<u>\$14,507</u>	<u>\$30,421</u>

THE ALBERTA GAS TRUNK LINE COMPANY LIMITED

TEN YEAR REVIEW

STATEMENT OF INCOME AND RETAINED EARNINGS

YEARS ENDED DECEMBER 31

(in thousands of dollars)

	1967	1966	1965
Operating revenue:			
Transportation of gas	\$26,309	\$24,976	\$25,511
Operating revenue deductions:			
Operating and maintenance expenses	4,580	3,823	3,731
Depreciation	5,722	5,611	7,377
Taxes — property	1,735	1,389	1,246
	<u>12,037</u>	<u>10,823</u>	<u>12,354</u>
Operating profit	14,272	14,153	13,157
Other income:			
Interest on short term deposits	121	289	218
Gain (loss) on redemption of long term debt	107	6	20
	<u>14,500</u>	<u>14,448</u>	<u>13,395</u>
Income deductions:			
Interest on long term debt	7,832	8,078	7,663
Other interest	168	—	348
Amortization of debt discount and expenses	161	161	153
Interest charged to construction (credit)	(241)	(129)	(820)
	<u>7,920</u>	<u>8,110</u>	<u>7,344</u>
Net income for the year	6,580	6,338	6,051
Less preferred share dividends	1,306	1,306	1,397
	<u>5,274</u>	<u>5,032</u>	<u>4,654</u>
Less common share dividends	3,528	3,358	3,290
	<u>1,746</u>	<u>1,674</u>	<u>1,364</u>
Less costs involved on redemption of preferred shares . .	—	—	2,452
	<u>1,746</u>	<u>1,674</u>	<u>(1,088)</u>
Retained earnings at beginning of year	12,591	10,917	12,005
Retained earnings at end of year	<u>\$14,337</u>	<u>\$12,591</u>	<u>\$10,917</u>

1964	1963	1962	1961	1960	1959	1958
<u>\$23,417</u>	<u>\$22,467</u>	<u>\$21,015</u>	<u>\$8,972</u>	<u>\$5,937</u>	<u>\$3,275</u>	<u>\$987</u>
3,646	3,727	2,977	1,657	1,138	833	488
6,753	6,407	5,948	704	—	—	—
1,041	943	875	323	26	10	5
<u>11,440</u>	<u>11,077</u>	<u>9,800</u>	<u>2,684</u>	<u>1,164</u>	<u>843</u>	<u>493</u>
11,977	11,390	11,215	6,288	4,773	2,432	494
90	83	139	299	130	51	64
39	2	(1)	10	—	—	—
<u>12,106</u>	<u>11,475</u>	<u>11,353</u>	<u>6,597</u>	<u>4,903</u>	<u>2,483</u>	<u>558</u>
6,028	6,218	6,334	5,057	2,181	1,575	686
620	40	—	330	304	454	330
125	125	125	110	69	49	21
(240)	(111)	(164)	(3,665)	(482)	(728)	(879)
<u>6,533</u>	<u>6,272</u>	<u>6,295</u>	<u>1,832</u>	<u>2,072</u>	<u>1,350</u>	<u>158</u>
5,573	5,203	5,058	4,765	2,831	1,133	400
1,512	1,513	1,891	1,314	463	—	—
<u>4,061</u>	<u>3,690</u>	<u>3,167</u>	<u>3,451</u>	<u>2,368</u>	<u>1,133</u>	<u>400</u>
2,715	2,712	1,354	—	—	—	—
<u>1,346</u>	<u>978</u>	<u>1,813</u>	<u>3,451</u>	<u>2,368</u>	<u>1,133</u>	<u>400</u>
—	—	—	—	—	—	—
<u>1,346</u>	<u>978</u>	<u>1,813</u>	<u>3,451</u>	<u>2,368</u>	<u>1,133</u>	<u>400</u>
10,659	9,681	7,868	4,417	2,049	916	516
<u>\$12,005</u>	<u>\$10,659</u>	<u>\$ 9,681</u>	<u>\$7,868</u>	<u>\$4,417</u>	<u>\$2,049</u>	<u>\$916</u>

THE ALBERTA GAS TRUNK LINE COMPANY LIMITED

TEN YEAR REVIEW

BALANCE SHEET DECEMBER 31

(in thousands of dollars)

ASSETS	1967	1966	1965
PLANT, PROPERTY AND EQUIPMENT — AT COST:			
Gas plant in service	\$230,459	\$218,560	\$216,007
Less accumulated depreciation	34,125	32,390	26,968
	<u>196,334</u>	<u>186,170</u>	<u>189,039</u>
Gas plant under construction	696	5,273	312
	<u>197,030</u>	<u>191,443</u>	<u>189,351</u>
CURRENT ASSETS	6,322	7,069	8,774
OTHER	3,470	3,305	3,467
	<u>\$206,822</u>	<u>\$201,817</u>	<u>\$201,592</u>
LIABILITIES			
SHAREHOLDERS' EQUITY:			
Preferred shares	\$ 27,500	\$ 27,500	\$ 27,500
Common shares	14,002	13,995	13,890
Contributed surplus	2,081	2,052	1,606
Retained earnings	14,337	12,591	10,917
	<u>57,920</u>	<u>56,138</u>	<u>53,913</u>
LONG TERM DEBT	130,884	135,973	140,802
SPECIAL REFUNDABLE TAX PAYABLE TO SHIPPERS . . .	326	—	—
CURRENT LIABILITIES:			
Bank loans	7,800	—	—
Sinking fund instalments due within one year	5,089	4,591	2,742
Other current liabilities	4,803	5,115	4,135
	<u>17,692</u>	<u>9,706</u>	<u>6,877</u>
	<u>\$206,822</u>	<u>\$201,817</u>	<u>\$201,592</u>

1964	1963	1962	1961	1960	1959	1958
\$191,568	\$166,974	\$158,396	\$147,680	\$67,612	\$54,831	\$34,857
19,689	12,903	6,588	700	—	—	—
<u>171,879</u>	<u>154,071</u>	<u>151,808</u>	<u>146,980</u>	<u>67,612</u>	<u>54,831</u>	<u>34,857</u>
1,328	44	335	2,891	16,721	287	319
<u>173,207</u>	<u>154,115</u>	<u>152,143</u>	<u>149,871</u>	<u>84,333</u>	<u>55,118</u>	<u>35,176</u>
5,598	5,614	5,768	7,910	1,754	3,568	8,721
3,138	3,252	3,382	3,503	2,365	1,172	1,213
<u>\$181,943</u>	<u>\$162,981</u>	<u>\$161,293</u>	<u>\$161,284</u>	<u>\$88,452</u>	<u>\$59,858</u>	<u>\$45,110</u>

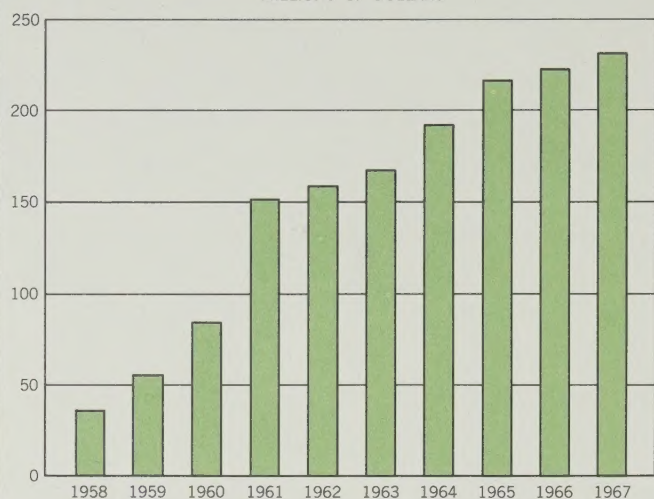
\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$15,000	—	—
13,577	13,573	13,541	13,521	13,507	13,505	13,505
228	214	104	45	7	—	—
<u>12,005</u>	<u>10,659</u>	<u>9,681</u>	<u>7,868</u>	<u>4,417</u>	<u>2,049</u>	<u>916</u>
50,810	49,446	48,326	46,434	32,931	15,554	14,421
<u>101,028</u>	<u>104,566</u>	<u>107,926</u>	<u>111,116</u>	<u>45,000</u>	<u>30,000</u>	<u>30,000</u>
—	—	—	—	—	—	—

22,700	2,700	—	—	2,000	13,325	—
2,756	3,265	2,260	100	—	—	—
4,649	3,004	2,781	3,634	8,521	979	689
<u>30,105</u>	<u>8,969</u>	<u>5,041</u>	<u>3,734</u>	<u>10,521</u>	<u>14,304</u>	<u>689</u>
<u>\$181,943</u>	<u>\$162,981</u>	<u>\$161,293</u>	<u>\$161,284</u>	<u>\$88,452</u>	<u>\$59,858</u>	<u>\$45,110</u>

THE ALBERTA GAS TRUNK LINE COMPANY LIMITED

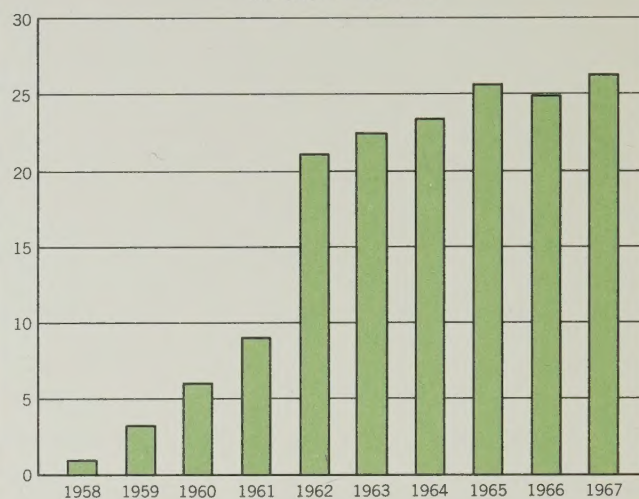
INVESTMENT IN PLANT - COST

MILLIONS OF DOLLARS



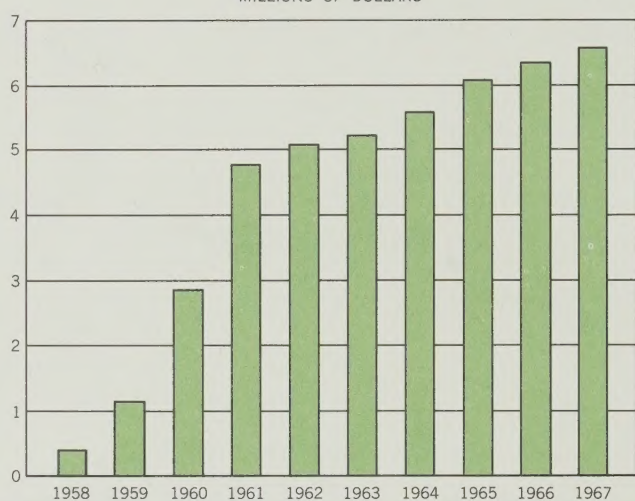
OPERATING REVENUE

MILLIONS OF DOLLARS



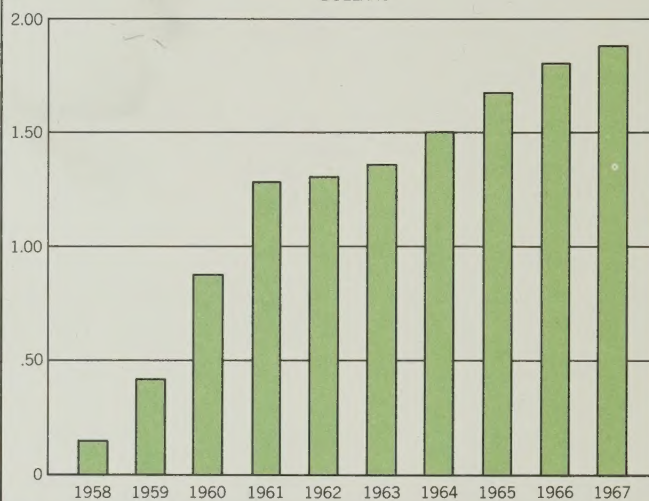
NET INCOME

MILLIONS OF DOLLARS



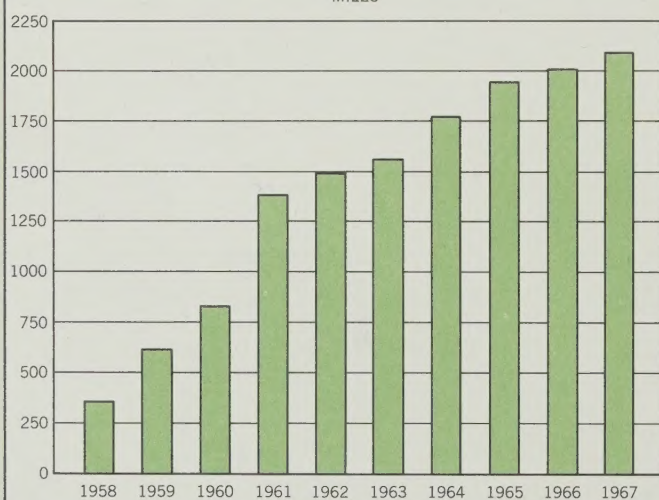
EARNINGS PER COMMON SHARE

DOLLARS



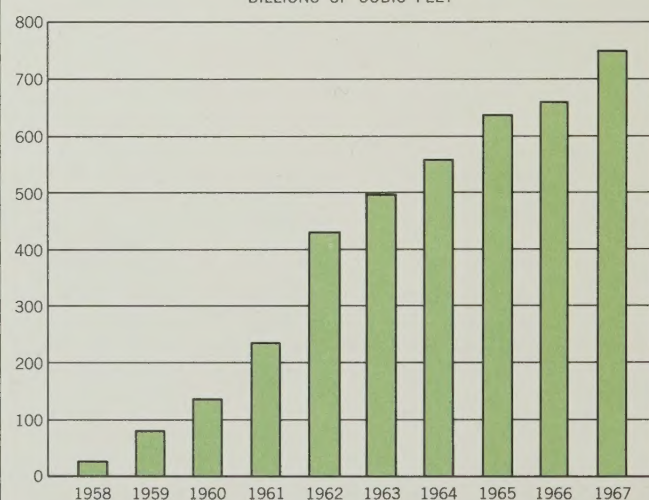
PIPELINE IN SERVICE

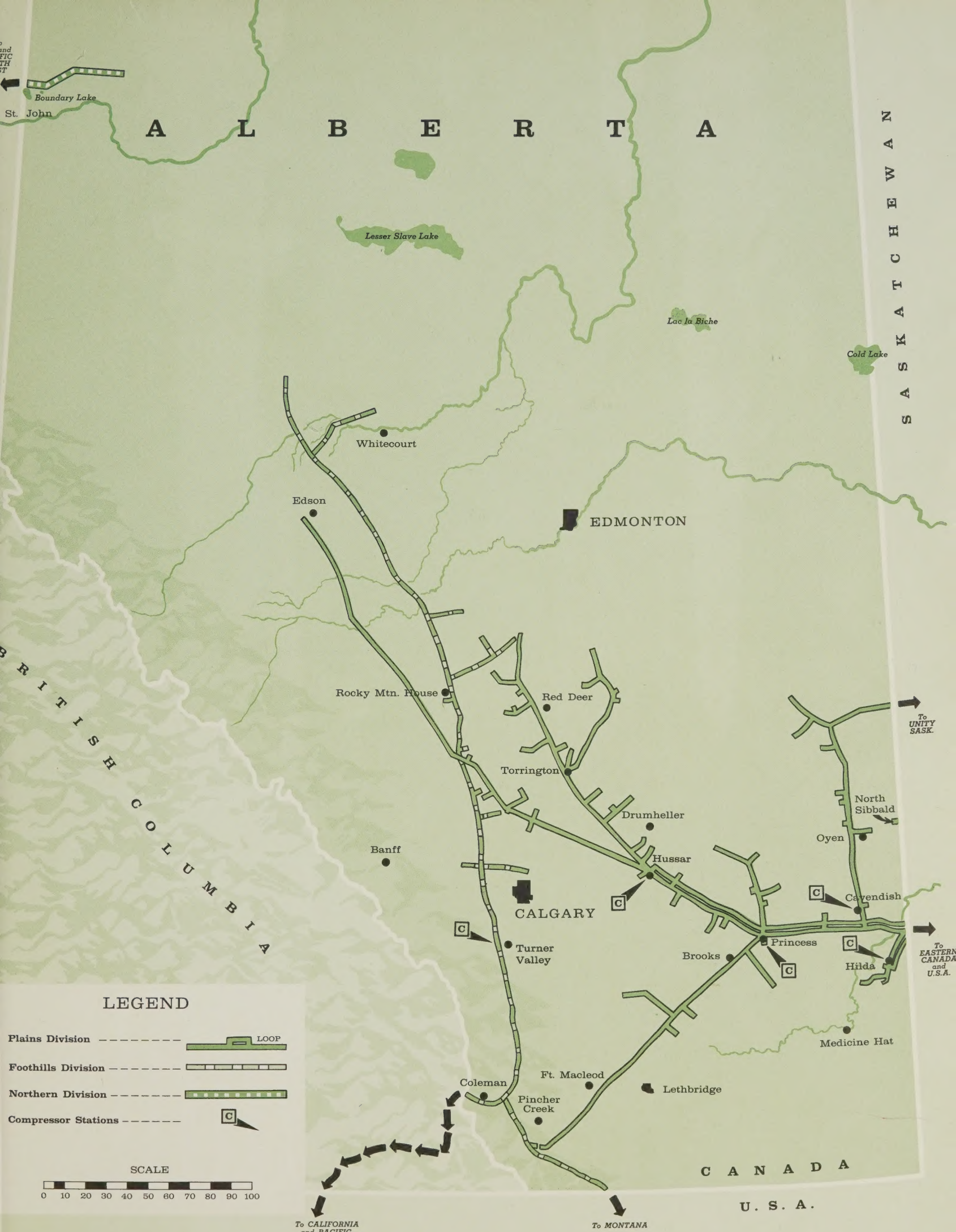
MILES



ANNUAL THROUGHPUT

BILLIONS OF CUBIC FEET





Map of ALBERTA GAS TRUNK LINE SYSTEM



*Annual
Report
1967*